



CENTER CITY REPORTS

# Monitoring Philadelphia's Economic Recovery

## October 2020

OCTOBER 2020

CENTER CITY DISTRICT,  
CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION

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MELVIN EPPS

**Philadelphia is slowly recovering from the economic impacts of the COVID-19 pandemic and the mandatory restrictions on business activity that were imposed by the Commonwealth and City government in mid-March. This monthly report tracks key indicators of the Philadelphia economy and the vitality of Center City.**

### EMPLOYMENT

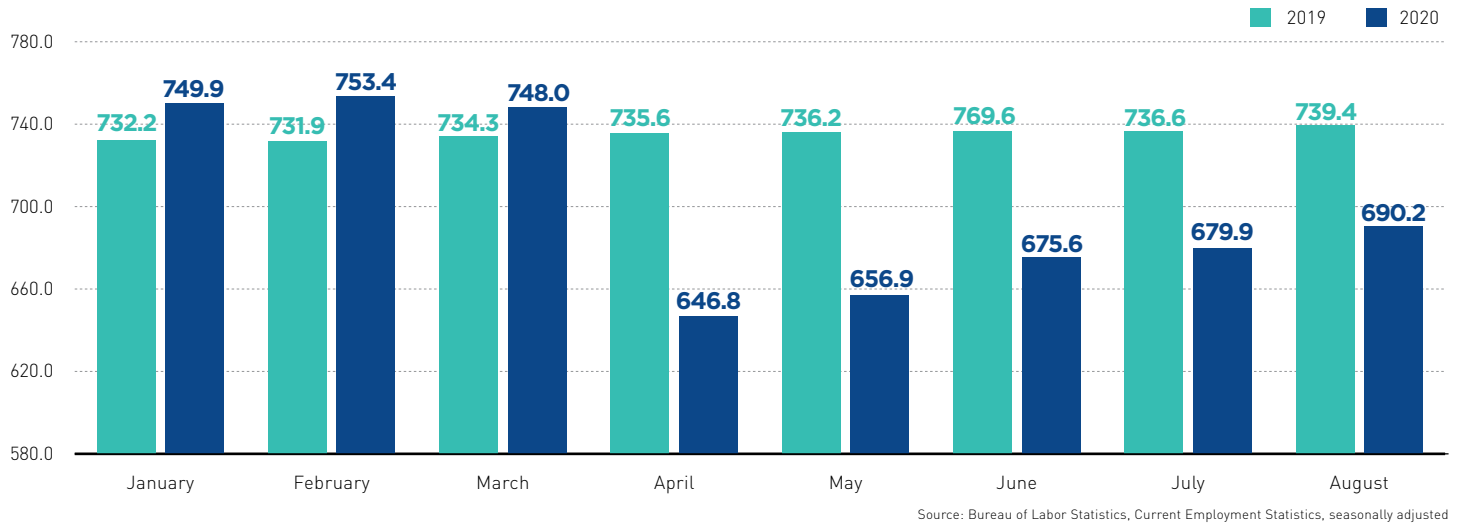
Between March and April, Philadelphia suffered the loss 101,200 jobs, 13.5% of all wage and salaried positions in the city. Over the next four months, employment rebounded by 43,400, a 6.7% increase, reaching 690,200 by August. However, the city's August employment level was still 8.4% below February's pre-pandemic level.

The job loss in Philadelphia has been less severe than in some other East Coast cities. In New York City, August employment was still 14.7% below February levels, while in Baltimore employment was 10.6% below pre-pandemic levels. Washington, DC, however, was just 7.3% below February levels, slightly less negative than Philadelphia.

On a percentage basis, Philadelphia's greatest employment losses have been in leisure and hospitality industries (including arts and entertainment, hotels, and restaurants), which shed 30,700 jobs (39.3%). Other sectors with large losses have been professional and business services, which fell by 8,200 (7.7%), other services, with a 2,900 (10.2%) decline, wholesale trade, which declined 1,300 (8.7%), and transportation, warehousing, and utilities, which fell 2,500 (8.4%). Educational services jobs declined by 18,400 (23.8%), but this loss is partly due to seasonality – the normal closing of schools in summer months.<sup>1</sup>

<sup>1</sup>: Industry level employment data is not seasonally adjusted.

## PHILADELPHIA TOTAL EMPLOYMENT BY MONTH, 2019 VS. 2020 (IN THOUSANDS)



## PHILADELPHIA CITY EMPLOYMENT TRENDS BY INDUSTRY (IN THOUSANDS)

|  | FEBRUARY 2020 | AUGUST 2020  | CHANGE       | % CHANGE     |
|--|---------------|--------------|--------------|--------------|
| <b>TOTAL JOBS</b>                          | <b>753.5</b>  | <b>680.5</b> | <b>-73.0</b> | <b>-9.7%</b> |
| Mining, Logging and Construction           | 12            | 12.3         | 0.30         | 2.5%         |
| Manufacturing                              | 18.6          | 18.1         | -0.5         | -2.7%        |
| Wholesale Trade                            | 15            | 13.7         | -1.3         | -8.7%        |
| Retail Trade                               | 49.3          | 49.4         | 0.1          | 0.2%         |
| Transportation, Warehousing, and Utilities | 29.7          | 27.2         | -2.5         | -8.4%        |
| Information                                | 12.2          | 11.6         | -0.6         | -4.9%        |
| Financial Activities                       | 43.3          | 42.5         | -0.8         | -1.8%        |
| Professional and Business Services         | 106.9         | 98.7         | -8.2         | -7.7%        |
| Educational Services                       | 77.4          | 59.0         | -18.4        | -23.8%       |
| Health Care and Social Assistance          | 176           | 167.3        | -8.7         | -4.9%        |
| Leisure and Hospitality                    | 78.1          | 47.4         | -30.7        | -39.3%       |
| Other Services                             | 28.4          | 25.5         | -2.9         | -10.2%       |
| Government                                 | 106.6         | 107.8        | 1.2          | 1.1%         |

Source: Bureau of Labor Statistics, Current Employment Statistics, not seasonally adjusted.

## UNEMPLOYMENT RATE

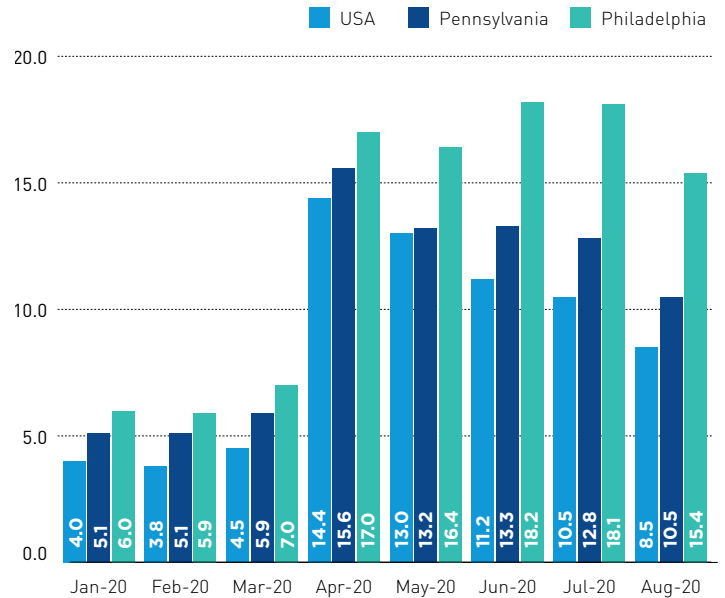
Philadelphia's unemployment rate increased from 7.0% in March to 18.2% in June, before declining to 15.4% in August. These trends are similar to state and national trends, although the city's unemployment rate has been consistently higher than in Pennsylvania and the US throughout 2020. In August, the unemployment rate in Philadelphia was higher than in Washington, DC (8.7%) and Baltimore (9.3%), but lower than in New York City (16.3%).

Nationally, unemployment declined to 7.7% in September, down from 8.5% in August. Philadelphia's September rate is not yet available.

## UNEMPLOYMENT CLAIMS

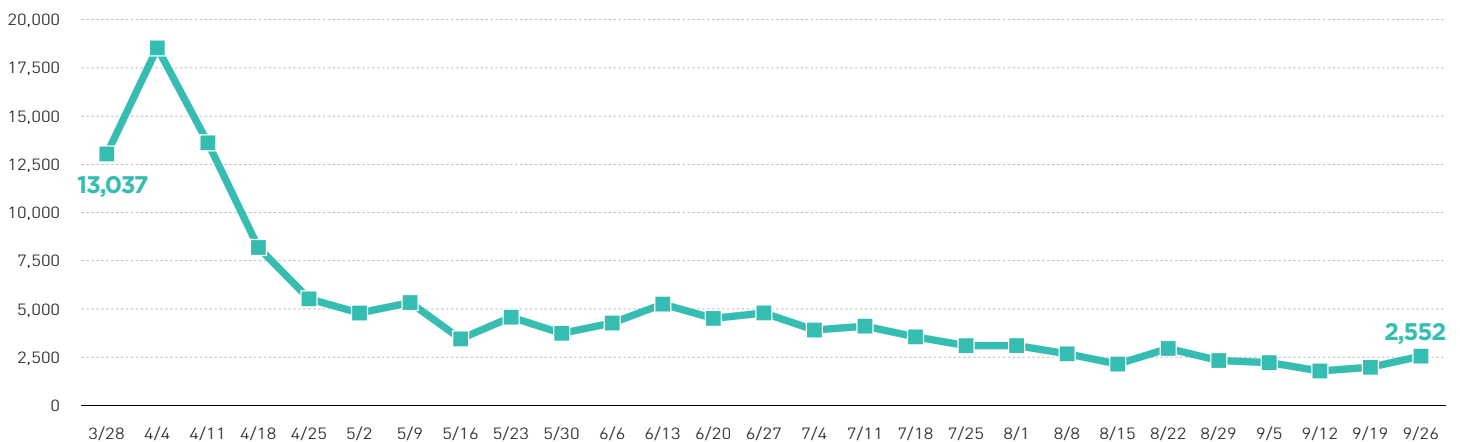
Since peaking at over 18,000 in the week ending April 4, initial claims for unemployment benefits in Philadelphia have declined gradually to 2,552 in the week ending September 26. Since early May, there have been well over 100,000 continuing claims in most weeks, although the number has declined gradually, and dropped to 85,101 in the most recent week in September for which data is available.

## MONTHLY UNEMPLOYMENT RATES



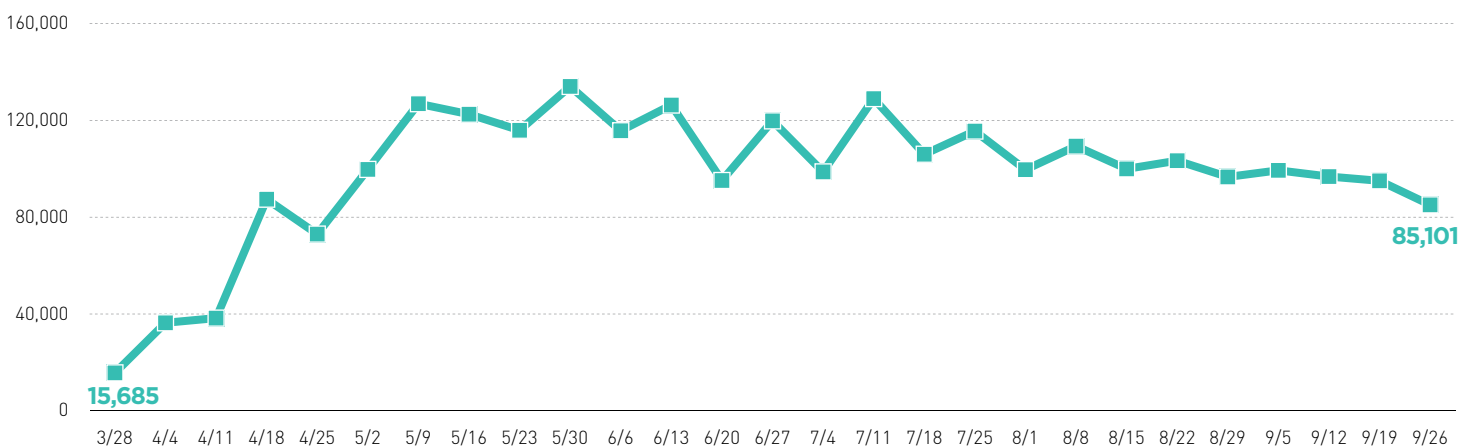
Source: Bureau of Labor Statistics, Current Population Survey and Local Area Unemployment Statistics

## INITIAL UNEMPLOYMENT CLAIMS, PHILADELPHIA, BY WEEK



Source: Pennsylvania Department of Labor and Industry

## CONTINUED UNEMPLOYMENT CLAIMS, PHILADELPHIA, BY WEEK



Source: Pennsylvania Department of Labor and Industry

## OFFICES

The Center City office market remained stable through the first two quarters of 2020. Asking rent in the second quarter averaged \$33.67 per square foot, down slightly from the first quarter, while the vacancy rate was 13.0%, compared to 12.9% in the first quarter, according to Newmark Knight Frank. Net absorption was 20,399 square feet in the second quarter, down from 142,509 in the first. However, this only records the lease transactions between owners and tenants, not the number of office workers at their desks. Most building managers and firms still report actual occupancy of workers at below 10% of pre-pandemic levels.

With many office employees working remotely, the pandemic has caused some firms to delay making long-term decisions about office space, with many businesses opting for short-term lease extensions. The result was a 45% decline in leasing activity between the second and third quarters.<sup>2</sup> However, average asking rent declined less than 1% in the Philadelphia CBD in the third quarter. According to Savills, the vacancy rate in the central business district increased to 12.4% in the third quarter.

## CENTER CITY OFFICE MARKET TRENDS

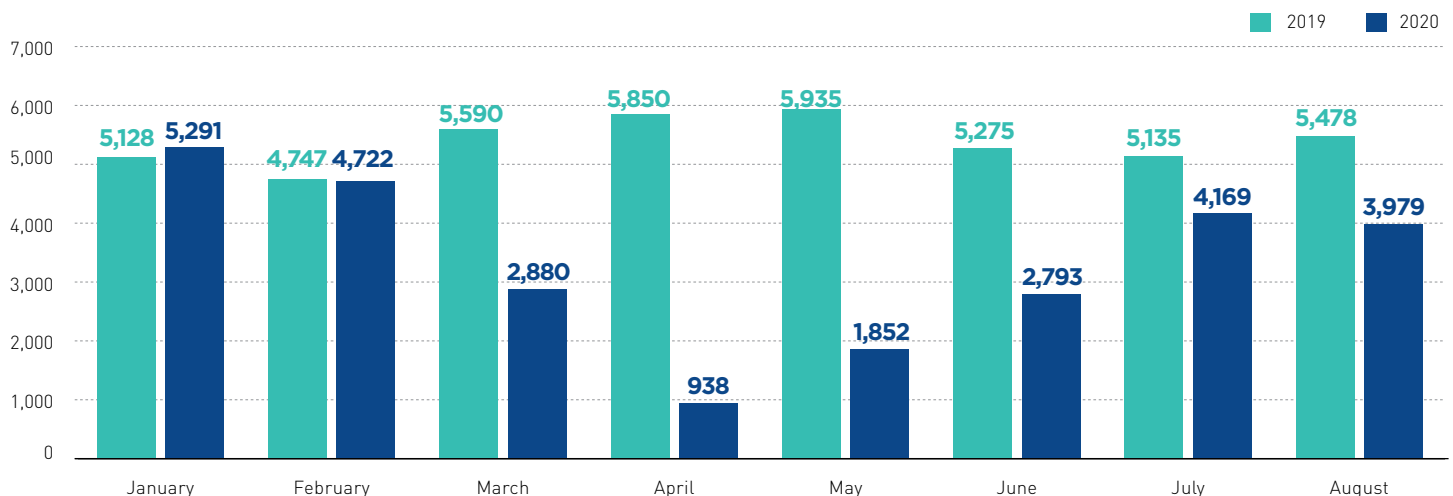
| SUBMARKET           | Q1 2020                      |                    |                     | Q2 2020                      |                    |                     |
|---------------------|------------------------------|--------------------|---------------------|------------------------------|--------------------|---------------------|
|                     | TOTAL ASKING RENT (PRICE/SF) | TOTAL VACANCY RATE | NET ABSORPTION (SF) | TOTAL ASKING RENT (PRICE/SF) | TOTAL VACANCY RATE | NET ABSORPTION (SF) |
| East Market         | \$29.81                      | 10.0%              | 45,838              | \$29.65                      | 9.9%               | 6,660               |
| Independence Square | \$31.12                      | 15.0%              | 10,312              | \$31.18                      | 14.5%              | 17,023              |
| Walnut/South Broad  | \$30.83                      | 18.3%              | -27,621             | \$30.78                      | 18.7%              | -15,649             |
| West Market         | \$36.14                      | 12.3%              | 113,980             | \$35.90                      | 12.6%              | 12,365              |
| <b>CENTER CITY</b>  | <b>\$33.80</b>               | <b>12.9%</b>       | <b>142,509</b>      | <b>\$33.67</b>               | <b>13.0%</b>       | <b>20,399</b>       |

Source: Newmark Knight Frank

## CONSTRUCTION

The Governor's order to suspend non-essential businesses on March 19 led to a stoppage of nearly all construction in the city. Construction was authorized to restart on May 1. Total construction-related permits issued by the City's Department of Licenses and Inspections decreased by 39% between February and March and dropped an additional 67% between March and April. Since that time, however, permit activity has increased each month. August permits totaled 3,979, 27% below August 2019.

## TOTAL CONSTRUCTION PERMITS MONTH TO MONTH COMPARISON 2019-2020



Source: OpenDataPhilly, L&I Building and Zoning Permits

2: Savills Research, Philadelphia Q3 2020 market report.





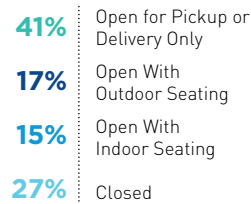
MATT STANLEY

## CENTER CITY RETAIL AND RESTAURANTS

The state and City requirements to close non-essential businesses resulted in a significant number of closures in the Center City restaurant, retail, and service sectors. In mid-June, among 1,884 storefronts within the Center City District, 46% were closed, 33% were fully open, 12% were offering take out or in-store pickup only, while 4% were providing outdoor seating and take out. Beginning in July, restaurants were able to open for outdoor dining and retailers were allowed to reopen. By late September, 70% of restaurants were open with indoor or outdoor seating, or were offering pickup and delivery. In addition, 75% of retail stores and 54% of service business were either fully open, or open for appointments or curbside pickup.

Weekend street closures on 13th Street, Sansom Street, 18th Street, Arch Street and Drury Lane in the CCD have allowed restaurants to increase outdoor seating. Total outdoor seating within the District boundaries increased from 2,997 in June to 5,152 in September. For a full update on retail trends, see [www.centercityphila.org/research-reports/restaurant-recovery-safe-outdoor-dining](http://www.centercityphila.org/research-reports/restaurant-recovery-safe-outdoor-dining)

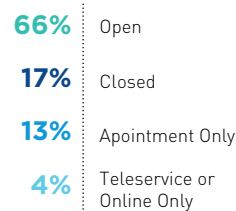
## RESTAURANTS



Source: Center City District Survey



## RETAIL/SERVICE



Source: Center City District Survey

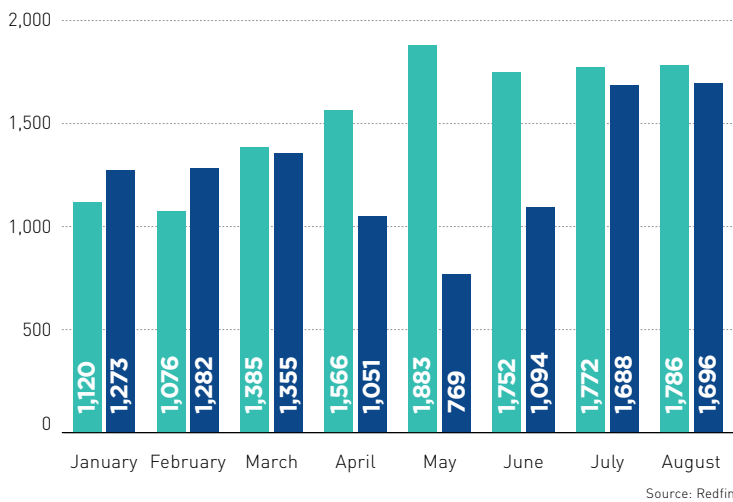


## HOUSING MARKET

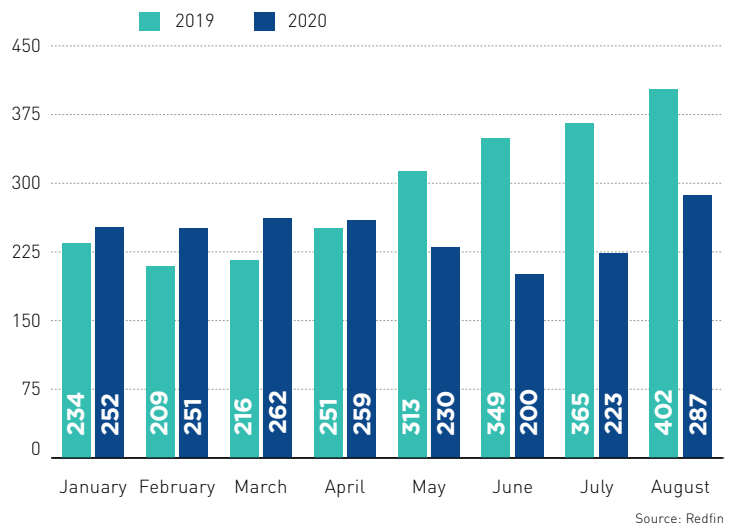
Despite a reduction in residential sales in April and May, housing market activity has rebounded strongly, with total sales in August only 5% below last year's level, according to Redfin. Within Greater City, residential sales are also increasing.<sup>3</sup> Despite the pandemic, housing prices have increased somewhat from 2019 levels, with the median sale price consistently higher than the prior year throughout 2020. The median residential sale price in August was \$242,000, 10% above the 2019 level.

Nonetheless, the pandemic is resulting in serious economic hardship which is likely to impact the rental market. According to the most recent data (September 2- September 14) from the Census Bureau's PULSE survey, 17.3 % of reporting renters missed their payment for their last month's rent in the US, compared to 13.3% in Pennsylvania, and 12.7% in the Philadelphia metropolitan area. The percentage of renters who deferred their rent was 2.2% for the US, 1.8% for Pennsylvania, and 3.7% in the Philadelphia region. On the owner side, 13.0% in the Philadelphia metropolitan area are behind on their mortgage payments compared to 10.3% in Philadelphia and 9.8% for the US.

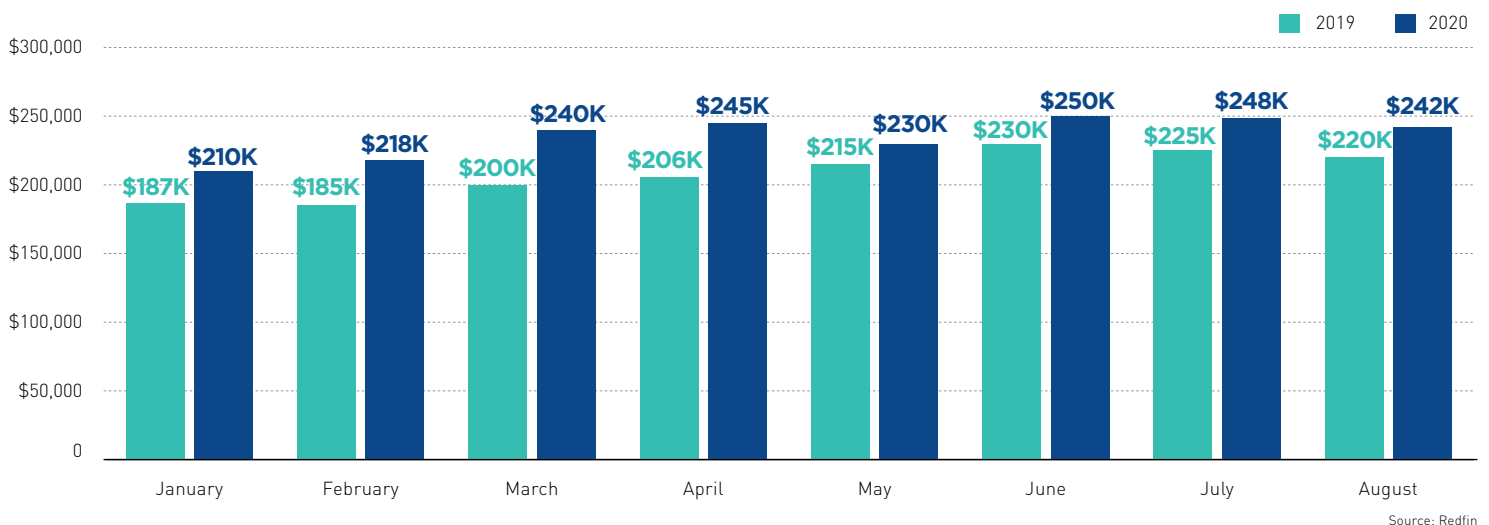
### HOMES SOLD IN PHILADLEPHIA



### HOMES SOLD IN GREATER CENTER CITY (THREE MONTH MOVING AVERAGE)



### MONTHLY MEDIAN RESIDENTIAL SALE PRICE, PHILADELPHIA



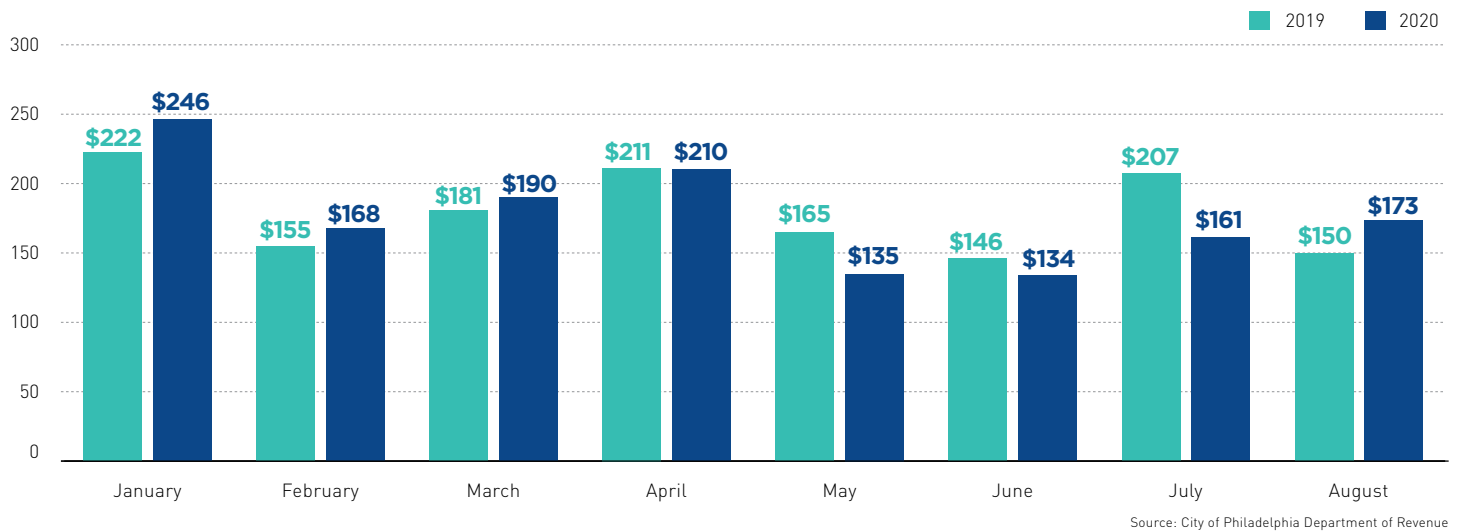
3: The Greater Center City sales figures represent the average sales in the prior three months, and so are not comparable to the citywide residential sales data.

## CITY TAX REVENUES

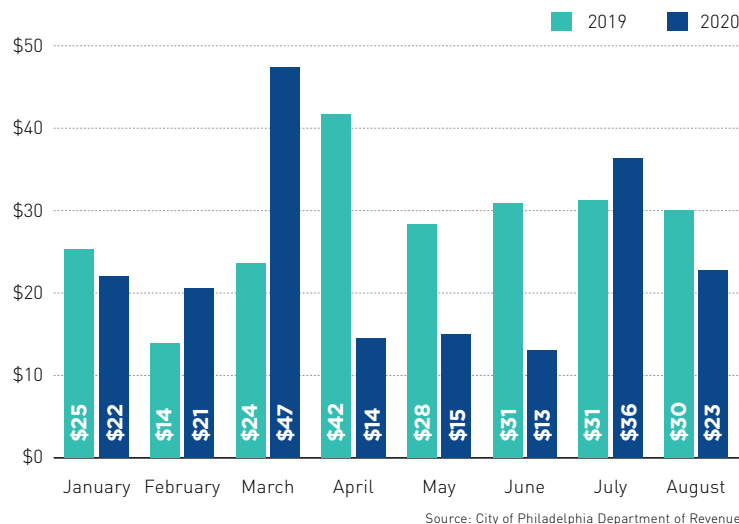
Monthly City tax revenues are an important indicator of the strength of the Philadelphia economy. Wage tax revenues reflect earnings of city residents regardless of where they work, and non-residents who work in the city. Real estate transfer tax revenues reflect the aggregate value of residential and commercial property sales, while hotel tax revenues reflect hotel industry revenue.

Wage tax collections in May, June and July were well below prior year levels, while August collections were higher by \$24 million (15.7%). The city is projecting total wage tax collections for fiscal year 2021 to decline 5.4% from the prior fiscal year. Real estate transfer tax collections in the second quarter of 2020 declined 58% from the same period in the prior year, while combined July and August collections totaled \$59 million, only a 3.4% decline from 2019. Hotel tax collections plummeted from \$4.6 million in March to \$400,000 in May but have since increased gradually, reaching \$1.8 million in August. Still, August collections were only 28% of the prior year level.

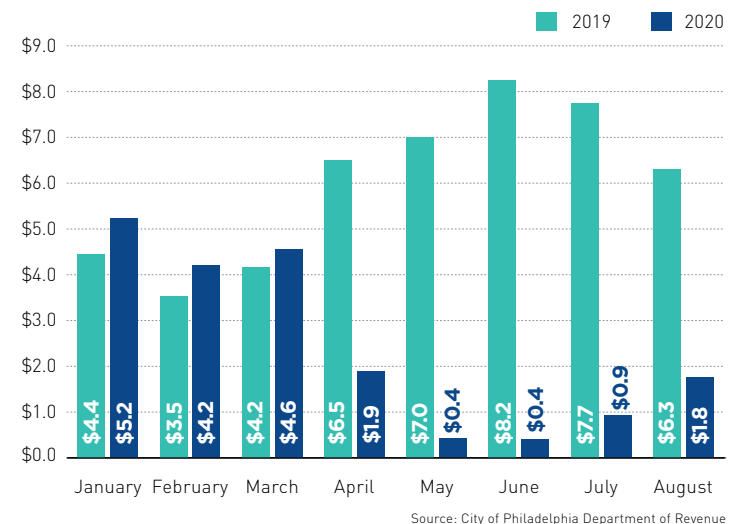
### MONTHLY WAGE AND EARNINGS TAX REVENUE (\$ IN MILLIONS)



### MONTHLY REAL ESTATE TRANSFER TAX REVENUE (\$ IN MILLIONS)



### MONTHLY HOTEL TAX REVENUE (\$ IN MILLIONS)



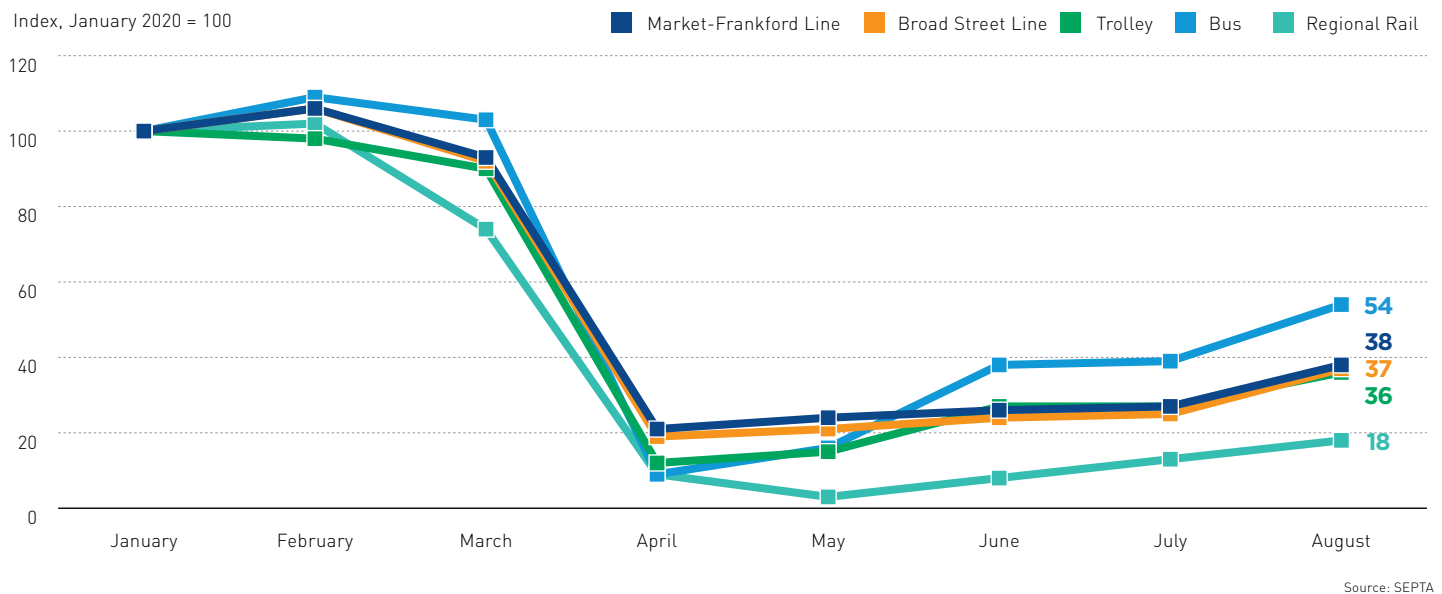
## PUBLIC TRANSIT

SEPTA ridership declined precipitously in March and April across all transit modes. Compared to January, April ridership was down by 81% on the Broad Street line, 79% on the Market-Frankford line, 89% on trolleys, 91% on City Transit division buses, and 91% on regional rail. By May, regional rail ridership dropped even further to just 3% of January's level.

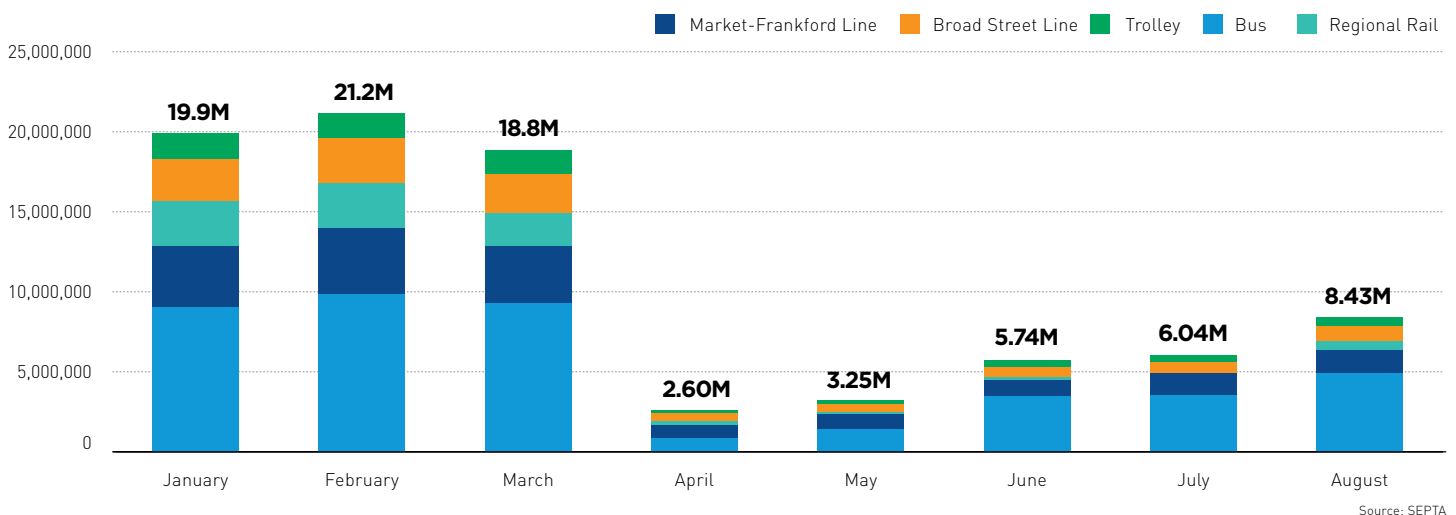
Since May, ridership has increased gradually. By August, City Transit Division bus ridership had increased to 54% of the January level, while ridership on the Market-Frankford Line and Broad Street Line had returned to 38% and 37%, respectively, of the pre-pandemic level. Ridership on trolleys had increased to 36% of January's level, and regional rail ridership had increased to 18% of January.

Since the spring SEPTA has added safety ambassadors who urge riders to wear masks and hand out masks to those who do not have them. In the most recent survey taken in September, 90.3% of passengers across all modes were wearing masks, 6.8% were wearing masks incorrectly, and just 2.9% were not wearing any mask at all before they were approached by a safety ambassador.

### SEPTA RIDERSHIP BY MODE



### SEPTA TOTAL RIDERSHIP BY MONTH SINCE JANUARY 2020





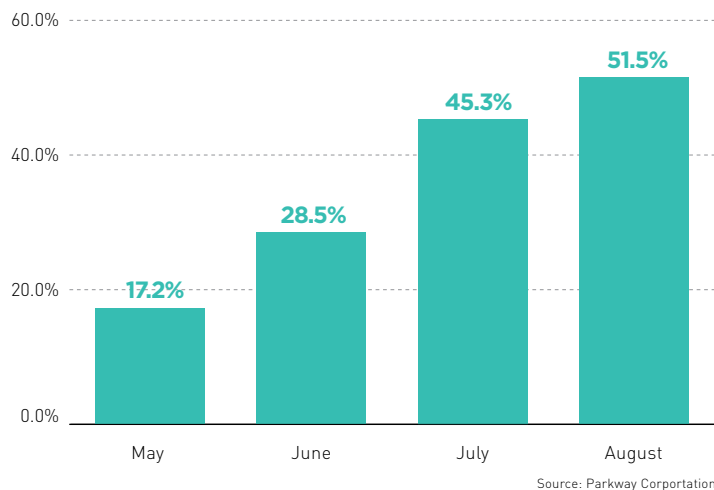
## OFF-STREET PARKING

Parkway Corporation reports that across their multiple off-street garages, they are experiencing a slow recovery. In May 2020, parking volumes were at 17.2% of the same month in the prior year. Volume rose to 28.5% of the 2019 level in June and to 45.3% in July. In August, total parking volume increased to 51.5% of last year.

## BIKE SHARE USAGE

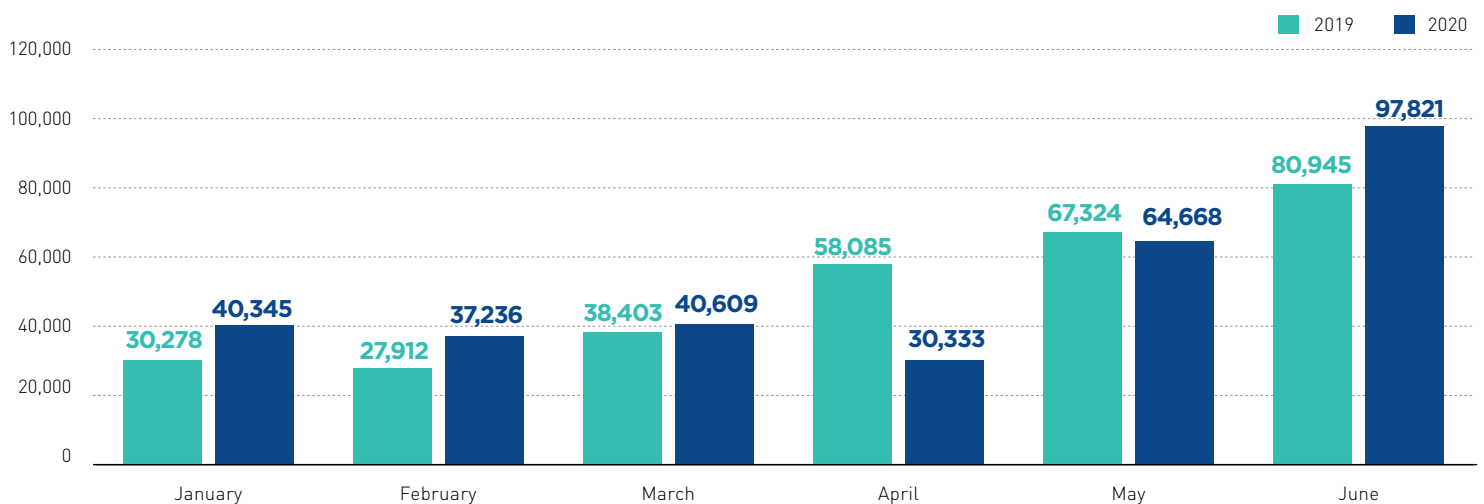
Philadelphia's bike share system, Indego, has over 500 bikes and 60 docking stations. Ridership in the first quarter of 2020 was relatively stable (around 40,000 trips per month), and after a decline in April has increased dramatically, to an all-time high of over 970,000 trips in June.

### PARKING VOLUMES AS A PERCENT OF 2019



SEPTA ridership has increased from **2.6 million in April** to **8.4 million in August**

### MONTHLY BIKE SHARE TRIPS



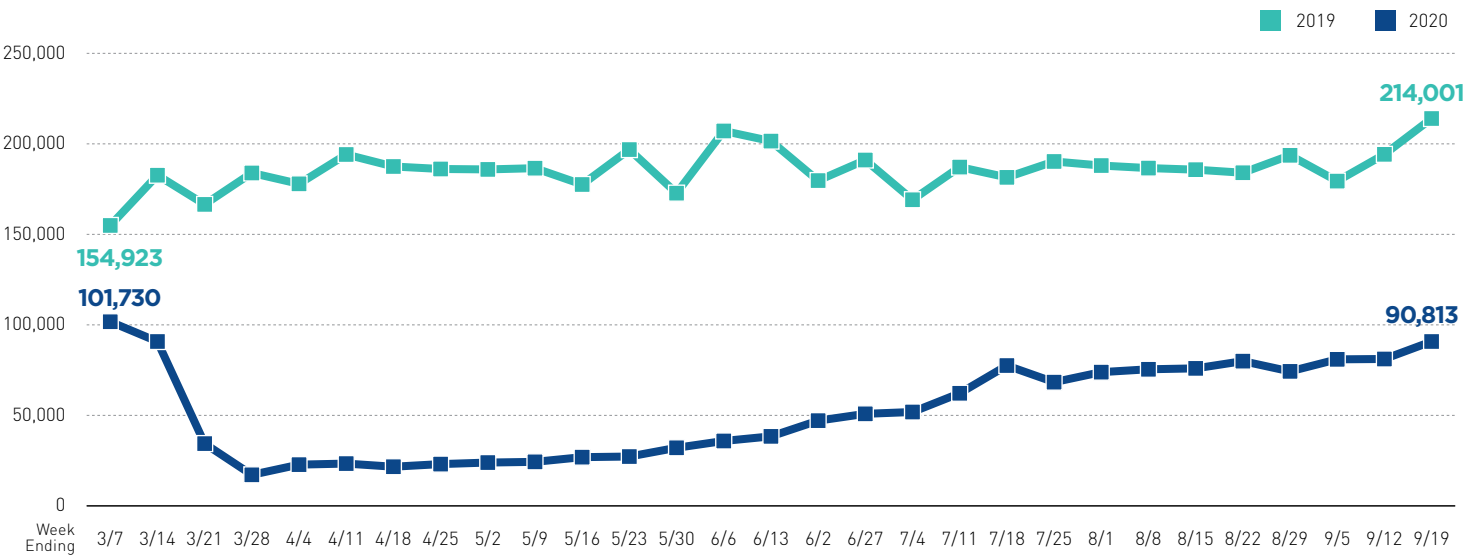


PEDESTRIAN COUNTS

For more than a decade, CCD has managed 20 pedestrian counters, placed on prime retail streets and in the office district.<sup>4</sup> With nonessential office, retail, and service workers urged to stay at home, pedestrian volumes dropped dramatically at the beginning of spring. The total number of pedestrians passing all twenty locations dropped from a 24-hour, daily average of 101,730 in the week ending March 7th to 17,161 in the week ended March 28th. Since that time,

pedestrian activity has increased gradually, reaching 90,813 in the week ending September 19th, 42% of the level from the same week in 2019. However, volumes on West Market Street and JFK Boulevard in the office district are only at 22% of 2019 levels.

AVERAGE DAILY PEDESTRIANS IN CENTER CITY



Source: Center City District

4: The digital cameras record pedestrian movements on both sides of the block but for privacy reasons no visual images are recorded or preserved.